

ORIGINAL

OPEN MEETING AGENDA :



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**EXCEPTION**

BEFORE THE ARIZONA CORPORATION COMMISSION

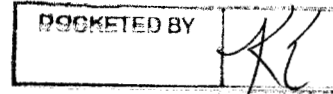
**COMMISSIONERS**

SUSAN BITTER SMITH, CHAIRMAN  
BOB STUMP  
BOB BURNS  
DOUG LITTLE  
TOM FORESE

Arizona Corporation Commission

**DOCKETED**

OCT 16 2015



IN THE MATTER OF THE APPLICATION  
OF MOHAVE ELECTRIC COOPERATIVE,  
INCORPORATED FOR APPROVAL OF ITS  
2016 RENEWABLE ENERGY STANDARD  
AND TARIFF PLAN, INCLUDING A  
RENEWABLE ENERGY STANDARD  
TARIFF

DOCKET NO. E-01750A-15-0237

**MOHAVE ELECTRIC  
COOPERATIVE, INCORPORATED  
EXCEPTIONS**

Mohave Electric Cooperative, Incorporated ("MEC"), through its undersigned attorneys, submits the following Exceptions to the proposed Opinion submitted by Commission Staff relating to MEC's 2016 Renewable Energy Standard and Tariff ("REST") Plan:

1. Staff's proposal to set the REST rates and caps at zero for 2016 instead of reducing them as requested by MEC; and
2. Staff's proposal to set the PV and wind at \$0.20/watt rather than the \$0.05/watt level requested by MEC.

For the Commission's consideration and action, MEC provides proposed Amendment No. 1 attached hereto adopting MEC's exceptions. MEC respectfully requests Amendment No. 1, or the substance thereof, be adopted by the Commission.

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AZ CORP COMMISSION

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RECEIVED

1                   **THE REST SURCHARGE SHOULD NOT BE REDUCED TO ZERO**

2                   Staff supports approving MEC's 2016 REST budget of \$1,031,881<sup>1</sup> but rejects MEC's  
3 proposal to have current customers fund 36% of the budget. MEC's proposal is intended to  
4 retain a modest surcharge for existing customers<sup>2</sup> while reducing the carry over balance by  
5 \$655, 631.<sup>3</sup> In doing so, MEC intends to maintain its proposed surcharge rates and provide a  
6 similar carry over contribution to the REST budget for the next five years as demonstrated in  
7 the five year budget projection contained at page 11 of MEC's REST application (a copy of  
8 which is attached).

9                   In contrast, Staff proposes MEC's 2016 customers pay nothing toward the REST  
10 program. At the same time, current customers would be eligible to receive incentives for  
11 installing PV, wind, and solar heating and receive the immediate benefits associated with the  
12 other REST programs, including offsetting the cost of solar power from the 5 MW distributed  
13 generation project.

14                  In making its 2016 REST application, MEC's Board of Directors determined it best to  
15 provide a level surcharge over a five year period while spreading the use of the current carry  
16 over balance over that same five year period. This is accomplished by lowering, but not  
17 eliminating the REST surcharge. In contrast, Staff's proposal will result in a significant  
18 fluctuation of the REST surcharge over the next few years - from the current \$0.0032/kWh  
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20                  <sup>1</sup> Staff made no adjustment to the budget for its proposal to increase the PV and Wind  
21 incentive by 400% above that requested by MEC (\$0.20/watt vs. \$0.05/watt) discussed infra.

22                  <sup>2</sup> The \$0.0023006/kWh and \$0.75 monthly cap for residential customers will generate \$0.37  
per month on the average residential customer's bill.

23                  <sup>3</sup> MEC notes that the carry-over balance is largely due to the delay in securing a viable  
24 proposal for the 5MW distributive generation facility. This one element of the REST  
25 program has represented between 16 to 35 % of the annual REST budget since 2010, but did  
not come on line until 2015. Now that the 5MW facility is operational, these funds are being  
expended.

1 for residential customers to zero for 2016 and possibly 2017, with the 2018 customers once  
2 again responsible for funding almost the entire REST budget.

3 REST is a long-term program. MEC requests the Commission examine the 2016  
4 REST program as a component of the long-term REST program and minimize the  
5 fluctuations in the REST surcharge over the next five years, as MEC proposes.

#### 6 **PV AND WIND INCENTIVES SHOULD BE REDUCED**

7 Without explanation or analysis, Staff also summarily rejects MEC's proposal to  
8 reduce the PV and wind incentive from \$0.20/watt to \$0.05/watt. As the Commission is well  
9 aware, the reduction in costs and prevalence of leasing versus purchase has made the need for  
10 incentives far less necessary. Some of the state's electric utilities have completely dispensed  
11 with such incentives. MEC's proposed budget, which Staff supports, reflects a significant  
12 reduction in the incentive budget from \$372,739 in 2015 to \$100,000. MEC also reduced the  
13 level of incentive provided to individual customers to allow a greater number of customers  
14 potential access to these funds. Staff, however, proposes to keep the PV and wind incentive  
15 at its 2015 level, despite the overall reduction in this aspect of the REST budget. MEC's  
16 proposed percentage reduction of the PV and wind incentive (75%) is similar to the overall  
17 budget reduction (73.2%). MEC respectfully requests the Commission reject the Staff  
18 unexplained alteration of this aspect of the MEC's REST plan.

#### 19 **CONCLUSION**

20 MEC appreciates the Staff's review and general support of the proposed 2016 REST  
21 Plan and Tariff. Staff has proposed two changes, neither of which is appropriate for this non-  
22 profit member owned cooperative. MEC, therefore, requests the Commission adopt the  
23 proposed Amendment No. 1 attached hereto and approve the 2016 REST plan as submitted  
24 by MEC.

1 DATED this 16th day of October, 2015.

2 CURTIS, GOODWIN, SULLIVAN,  
3 UDALL & SCHWAB, P.L.C.

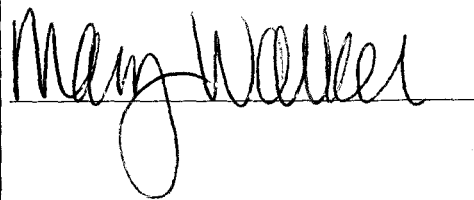
4  
5 By: 

6 Michael A. Curtis, Esq.  
7 William P. Sullivan, Esq.  
8 501 East Thomas Road  
9 Phoenix, Arizona 85012-3205  
Attorneys for Mohave Electric  
Cooperative, Incorporated

10 PROOF OF AND CERTIFICATE OF MAILING

11 I hereby certify that on this 16th day of October, 2015, I caused the foregoing  
12 document to be served on the Arizona Corporation Commission by delivering the original and  
13 thirteen (13) copies of the above to:

14 Docket Control  
15 Arizona Corporation Commission  
16 1200 West Washington  
Phoenix, Arizona 85007

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## ATTACHMENT A

### **Mohave Electric Cooperative, Incorporated's Proposed Amendment No. 1 to Proposed Order**

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**MOHAVE ELECTRIC COOPERATIVE INCORPORATED'S  
PROPOSED AMENDMENT NO. 1**

TIME/DATE PREPARED: October 16, 2015

COMPANY: Mohave Electric Cooperative, Incorporated

AGENDA ITEM NO. 20

DOCKET NO(S). E-01750A-15-0237

OPEN MEETING DATE: October 20-21, 2015

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Page 7, line 20,

Add the following:

**Discussion**

24. MEC filed exceptions to Staff's recommendations that MEC rely exclusively on carry-over funds for 2016 on the basis that it will cause the REST rates and caps to fluctuate unnecessarily and relieve existing customers from any contribution to funding the REST programs from which they receive benefits. MEC contends that under its proposed REST rates and caps existing customers will continue to participate at a reasonable but modest level while significantly reducing the carry over balance during the next five years.

25. In its exceptions, MEC also objected to Staff's recommendation that the PV and wind incentives remain at \$0.20/watt rather than being reduced to \$0.05/watt as requested by MEC. MEC contends Staff did not provide any explanation for rejecting MEC's proposal and that it is reasonable to move toward elimination of the incentives, as evidenced by other REST plans where the incentive has been reduced to zero.

26. The Commission is persuaded by MEC and will adopt the reduced PV and Wind incentive as proposed by MEC in Table 1, as well as the reduced REST rates and caps as proposed by MEC in Table 3.

27. As a result of the approval of MEC's proposals as discussed, the language on the tariff related to residential customers taking optional Prepaid Residential Service should read as follows:

In the case of residential customers taking optional Prepaid Residential Service, the RES surcharge will be calculated daily at \$0.0023006 per kilowatt-hour of retail electricity purchased by the consumer that day, until the monthly surcharge cap of \$0.75 per service has been reached for the monthly billing period applicable to the service address.

Page 8, lines 4-6,

DELETE everything after "approved" so the Second Ordering Paragraph reads:

IT IS FURTHER ORDERED that Mohave Electric Cooperative's proposed incentive amounts as shown in Table 1 are approved.

**MOHAVE ELECTRIC COOPERATIVE INCORPORATED'S  
PROPOSED AMENDMENT NO. 1 (continued)**

TIME/DATE PREPARED: October 16, 2015

COMPANY: Mohave Electric Cooperative, Incorporated

AGENDA ITEM NO. 20

DOCKET NO(S). E-01750A-15-0237

OPEN MEETING DATE: October 20-21, 2015

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Page 8, lines 7-8,

DELETE the word "Staff" and REPLACE with "Mohave Electric Cooperative"  
on line 8, so the Third Ordering Paragraph reads:

IT IS FURTHER ORDERED that Mohave Electric Cooperative's Renewable  
Energy Standard Tariff rates and caps be reduced as proposed by Mohave Electric  
Cooperative in Table 3.

**THIS AMENDMENT:**

_____ Passed	_____ Passed as amended by _____	
_____ Failed	_____ Not Offered	_____ Withdrawn

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**ATTACHMENT B**  
**FIVE-YEAR REST BUDGET PROJECTION**



**2016 REST Budget and Funding  
Five Year Projection**

	2016	2017	2018	2019	2020
Forecasted Carry Forward	3,039,516	2,383,885	1,751,240	1,148,361	575,247
RES Funding	376,251	376,627	377,003	377,380	377,758
RES Program Forecast Expenditures	1,031,881	1,009,272	979,883	950,494	921,843
Carry Forward Funding	2,383,885	1,751,240	1,148,361	575,247	31,162
<b>Tariff Revenues</b>	<b>376,251</b>	<b>376,627</b>	<b>377,003</b>	<b>377,380</b>	<b>377,758</b>
<b>Expenditures</b>					
Residential and Commercial Incentives	100,000	100,100	100,200	100,300	100,401
Up to 5MW Distributed Generation-Solar	435,632	412,918	383,424	353,929	325,172
PV For Schools Loan Repayment	103,189	103,189	103,189	103,189	103,189
GO SOLAR Website	516	521	526	532	537
Solar Water Heating	18,000	18,000	18,000	18,000	18,000
GeoThermal Resources-Willcox Greenhouse	29,544	29,544	29,544	29,544	29,544
Administration & Advertising	140,000	140,000	140,000	140,000	140,000
Education Grant Program	5,000	5,000	5,000	5,000	5,000
Community Programs	200,000	200,000	200,000	200,000	200,000
<b>Total Expenditures</b>	<b>1,031,881</b>	<b>1,009,272</b>	<b>979,883</b>	<b>950,494</b>	<b>921,843</b>
<b>Net Application of Funds Carried Forward</b>	<b>-655,631</b>	<b>-632,645</b>	<b>-602,880</b>	<b>-573,114</b>	<b>-544,085</b>